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NSC BRIEFING

22 May 1957

INDONESIA

- I. Top gov't officials in Djakarta have now split on how to handle the dissident provinces.
 - A. Prime Minister Djuanda, possibly influenced by Hatta and other moderates, is advocating a conciliatory approach.
 - B. To date this has been opposed by President Sukarno, army chief of staff General Nasution, and leaders of powerful National Party
 - 1. Immediate issue has been the 18 May order--promulgated against Djuanda's advice--relieving Lt. Col. Samual, anti-government commander in East Indonesia (Celebes). Samual is expected to ignore order.
 - 2. Affair tends to confirm provincial suspicions that Sukarno holds all real power and Djuanda is mere front.
- II. In Central Sumatra speech Hatta strongly supported provincial demands
 - A. He warned Djakarta that Indonesia heading toward anarchy.
 - B. On the other hand, he described regional disaffection as a movement aimed at the "development of the whole Indonesian archipelago," and not as being "separatist".
- III. Meanwhile, economic difficulties of central government are increasing
 - A. Over past months, inflation has become increasingly serious problem.
 - B. Government revenue decreased by establishment of direct trade between outlying provinces and foreign ports.
 - C. Promises of grants to provinces for economic development would further boost budgetary deficit.

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